

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Compliance Case Summary

ITEM NUMBER: 8

ATTACHMENTS: 1

ACTION: _____

DATE OF MEETING: February 4, 1999

INFORMATION: X

PRESENTER: Mr. Lee

1. Tulare County 1 case

The attached executive summary presents the highlights of one completed case issued during the period of August 1 through December 31, 1998.

We completed seventeen cases with one having findings requiring adjustments to a retired member's reported creditable compensation and retirement allowance. This summary is presented in terms of the type of finding.

Overstated Creditable Compensation: The member retired on December 1, 1992. The district overstated the member's creditable compensation for his last final-compensation year. This occurred when the member was paid creditable compensation for 280 hours of service performed over and above his regular full-time contract assignment. The district added \$11,036.00 into the member's creditable compensation, when the additional earnings should have been reported as overtime service. This error caused the member's earnings to be overpaid, which resulted in a service retirement allowance that was overstated by \$98.86 per month since December 1992.

**Office of Audits
Executive Summary For the Budgets & Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
Tulare County**

Period of Compliance Case Review: August, September, October, November, December 1998

Number of Compliance Cases Included in this Cost-Benefit Summary: 1

Compliance Case Cost-Benefit Summary:

Benefit:

Correction to contributions	\$ 0
Retirement allowance, unfunded	\$14,909
Liability (net present value)	
Excess post-retirement earnings	<u>\$ 0</u>

Cost:

Direct costs (staff	
salaries, fringe	
benefits)	<u>\$1,479</u>

TOTAL DOLLAR EFFECT	<u>\$ 14,909</u>	Benefit per dollar spent \$10.00
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Unreported post-retirement	<u>\$ 0</u>
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Finding:

Overtime Reported as Creditable Compensation: The member retired on December 1, 1992. The district overstated the member's creditable compensation for his last final- compensation year. This occurred when the member was paid creditable compensation for 280 hours performed over and above his regular full-time contract. The district added \$11,036.00 (paid for the additional 280 hours of work) into the member's creditable compensation when the additional earnings should have been reported as overtime service. This error caused the members earnings to be overpaid, which resulted in a service retirement allowance that was overstated by \$98.86 per month since December 1, 1992. The allowance that was calculated using the \$11,036.00 overtime earnings was \$2,626.51. The allowance after the employer adjusted the \$11,036.00 out of reported creditable compensation is \$2,527.65 thus representing a reduction of \$98.86.

Adjustment Required: The District submitted corrections to STRS that eliminated the \$11,036.00 overstated creditable compensation. Also, the district provided a refund of overpaid contributions to the retired member in the amount of \$883.00. The retired

member's retirement allowance was corrected, and a receivable was established to collect overpaid allowance amounts that total \$6,856.98. Repayment is being collected monthly at a rate of 5% of the total amount due which is approximately \$118.00 per month. At that rate the receivable should be paid in full in approximately 49 months.